

General Information Letter: Exempt organizations are subject to Illinois income tax on unrelated business taxable income.

March 5, 2001

Dear:

This is in response to your letter dated February 1, 2001 in which you state the following:

We would like to have your consent in written that we are not required to file 990-T return annually. As we are a church organization and tax exempted, we are not required to file tax return with IRS and California Franchise Tax Board.

Last year, we had phone conversation with one of your officer about this issue. The officer agreed that since we do not file tax return with IRS and California Franchise Tax Board, we are not required to file tax return in Illinois State.

We wish to receive your consent in written that we are not required to file tax return in Illinois and we can disregard Form IL-990-T which you will mail to us each year.

According to the Department of Revenue ("Department") regulations, the Department may issue only two types of letter rulings: Private Letter Rulings ("PLR") and General Information Letters ("GIL"). The regulations explaining these two types of rulings issued by the Department can be found in 2 Ill.Adm.Code §1200, or on the website <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

Due to the nature of your inquiry and the information presented in your letter, we are required to respond with a GIL. GILs are designed to provide background information on specific topics. GILs, however, are not binding on the Department.

In general, Illinois follows the federal government in questions concerning a charitable group's status as an exempt organization. Section 205 of the Illinois Income Tax Act ("IITA"), 35 ILCS 5/101 et seq, explains exempt organizations:

- (a) Charitable, etc. organizations. The base income of an organization which is exempt from the federal income tax by reason of Section 501(a) of the Internal Revenue Code shall not be determined under Section 203 of this Act, but shall be its unrelated business taxable income as determined under Section 512 of the Internal Revenue Code, without any deduction for the tax imposed by this Act. The standard exemption provided by Section 204 of this Act shall not be allowed in determining the net income of an organization to which this subsection applies.

Your letter does not indicate whether your organization was determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. If so, then your organization would also be exempt from determining base income under Section 203 on the IITA except for any unrelated business taxable income as determined by Section 512 of the Internal Revenue Code.

Your organization may have registered with the Illinois Department of Revenue and it may be for that reason that you are receiving Form IL-990-T each year. As mentioned above, should you qualify as an exempt organization under Internal Revenue Code Section 501(a), your organization will be

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subject to Illinois income tax on any unrelated business taxable income. Such income must be reported by the exempt organization on Form IL-990-T.

As stated above, this is a general information letter which does not constitute a statement of policy that either applies, interprets or prescribes tax law. It is not binding on the Department. Should you have additional questions, please do not hesitate to contact our office.

Sincerely,

Heidi Scott

Staff Attorney -- Income Tax